



**Testimony of James E. Shmerling, DHA, FACHE
President and CEO of Connecticut Children's Medical Center
to the Appropriations Committee
Regarding the Department of Social Services Budget for Fiscal Years 2018-2019
February 16, 2017**

Senator Osten, Senator Formica, Representative Walker, members of the Appropriations Committee, thank you for the opportunity to submit testimony regarding the Department of Social Services budget. Connecticut Children's Medical Center is dedicated to improving the physical and emotional health of children through family-centered care, research, education and advocacy. We embrace discovery, teamwork, integrity and excellence in all that we do.

I would like to share with you some information about the unique resources that Connecticut Children's provides to our State's most vulnerable citizens and our relationship with the HUSKY program. Connecticut Children's is a nationally recognized, 187-bed not-for-profit children's hospital serving as the primary pediatric teaching hospital for the University of Connecticut School of Medicine and the Frank H. Netter MD School of Medicine at Quinnipiac University as well as a research partner of The Jackson Laboratory. Connecticut Children's is the only hospital in Connecticut dedicated exclusively to the care of children.

A comprehensive array of pediatric services is available at our hospital in Hartford, with neonatal intensive care units in Hartford (Level 4) and Farmington (Level 3), along with a state-of-the-art ambulatory surgery center, five specialty care centers, two primary care centers, and 10 practices across the state and in Massachusetts. Our Level 1 Pediatric Trauma Center is the busiest between Boston and New York. Connecticut Children's has more than 2,400 employees with a medical staff of nearly 1,100, practicing in more than 30 subspecialties.

At Connecticut Children's, our medical and scientific professionals are forging new frontiers in research, advancing treatment options and searching for potential cures for childhood diseases and disorders. Our faculty is actively involved in basic, translational and clinical research — work that will impact pediatric care in our region and, ultimately, across the globe. Through our many research initiatives and collaborations, we are advancing care in hematology/oncology, expanding our understanding of tissue engineering, repair and immune response, applying principles of biomechanics and bioengineering to sports medicine, and discovering more about Autism Spectrum Disorder and neurodevelopment.

One of our highest priorities is the development of a personalized medicine approach to pediatric solid tumors. Our "Cancer Avatar Program," a collaboration with The Jackson Laboratory,

focuses on transplanting a child's tumor into genetically engineered mice, having the tumor grow in the mouse, and then applying a targeted genomics approach to determine the most effective treatment for the child. This approach allows multiple drugs to be tested in the mouse avatar first, so that the most effective ones can be selected for use in treating the child.

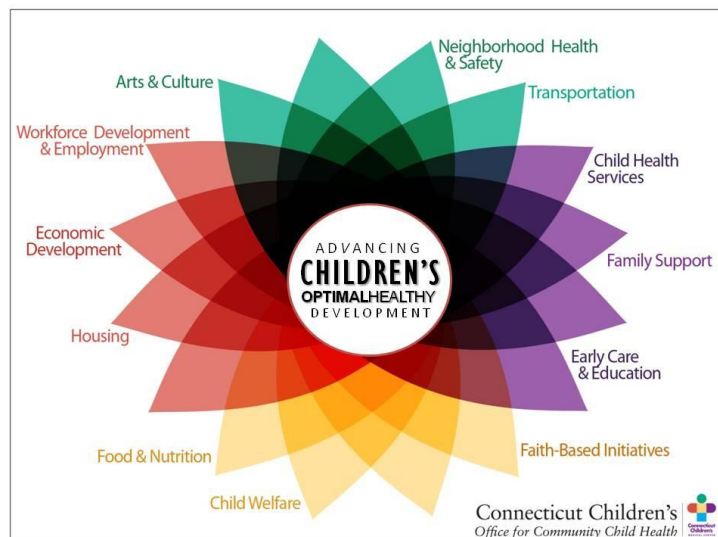
Children across the region rely on our ability to provide the highest level of care. When another hospital is unable to provide the care a child requires, we are ready to help. Last year, 3,906 patients required a transfer to Connecticut Children's emergency department or one of our inpatient units from another hospital in order to obtain the high level of specialized pediatric care they needed.

Connecticut Children's is driving innovation in pediatric medicine and we pursue opportunities to reduce costs, improve outcomes and share our expertise. For our patients who require inpatient care, we develop and utilize clinical pathways, which are structured plans that detail best practice in the care of hospital patients with specific conditions. The goal of these pathways is to standardize care, reduce costs, and improve outcomes. Since 2011, we have implemented 19 such pathways and an additional 17 are currently in development.

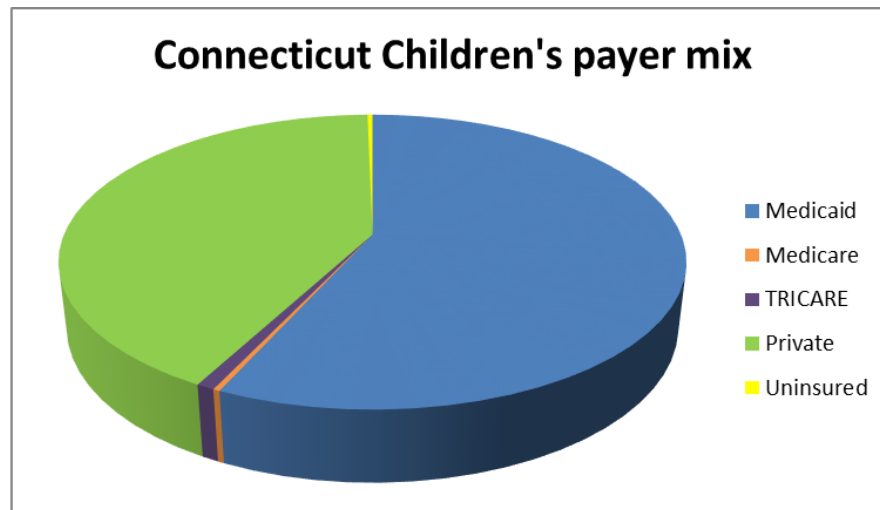
Additionally, our specialists share chronic care treatment protocols with primary care practices so children and adolescents with less severe forms of chronic illness can get more of their care in that setting. This partnership also frees up more of our specialists' time for those patients who are sicker. This year, Connecticut Children's will implement telemedicine capabilities that will allow our clinical experts to consult remotely with providers across the state, promoting clearer decision making and encouraging the provision of more care closer to home.

Connecticut Children's has taken its commitment to promoting children's healthy development to a new level through the establishment of the Office for Community Child Health (OCCH).

Social determinants—the circumstances in which people live and work—powerfully affect health. In fact, social and environmental factors are estimated to have twice the impact on the overall health of individuals as does the health care they receive. Our programs tackle critical contemporary issues in children's day to day lives that can adversely affect their health and development including asthma, home hazards, domestic violence, teen driving safety, teen suicide prevention, and sexually transmitted diseases. Visit our Advancing Kids blog at <https://advancingkids.org/>

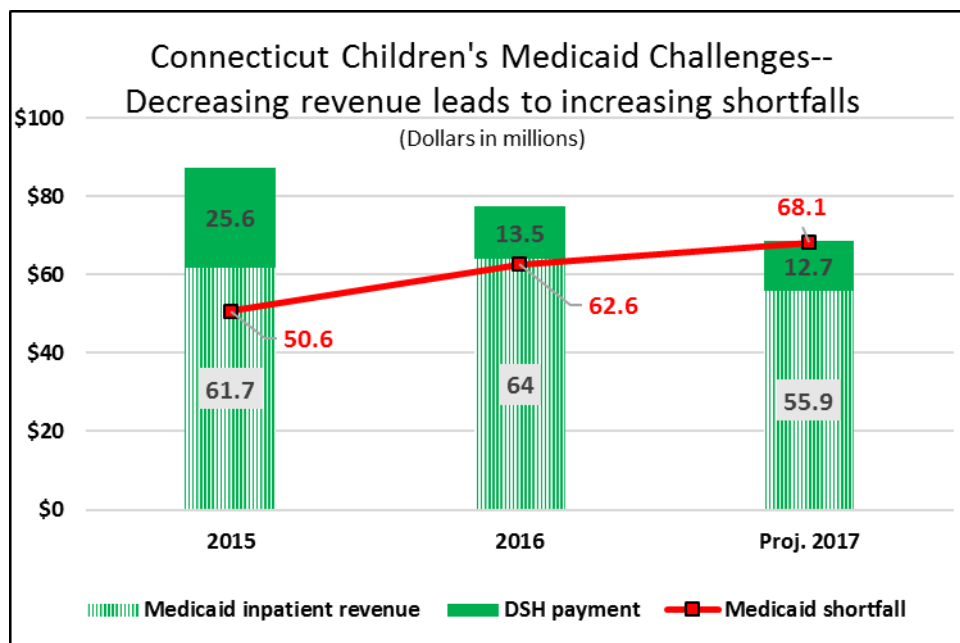


Medicaid plays a distinctive role at Connecticut Children's. The substantial reliance on Medicaid and the almost non-existent role of Medicare makes Connecticut Children's payer mix unique among hospitals in the state.



Source: *Annual Report on the Financial Status of Connecticut's Short-Term Acute Care Hospitals for Fiscal Year 2015*

Continued erosion of Connecticut Children's Medicaid revenue jeopardizes our ability to provide the care that all children need, regardless of the source of their health coverage. On January 1, 2017, the Department of Social Services adjusted Connecticut Children's Medicaid rates, cutting our expected hospital revenue by \$6.1 million per year. As a result, Connecticut Children's costs to care for children who rely on Medicaid are projected to exceed Medicaid payments by \$68 million this year.



Cutting reimbursement does not result in reducing costs. Connecticut Children's expenses reflect the resource requirements that the growing acuity and volume of our patients demands for the provision of safe, quality care. In a recent Children's Hospitals Association study, Connecticut Children's has the 7th lowest cost per day out of 30 independent children's hospitals surveyed, despite operating in one of the most expensive areas of the country. Connecticut Children's has worked with commercial payers to raise the rates they pay to help offset low Medicaid reimbursement. However, they are unwilling to bear any additional responsibility for the Medicaid cost shift.

Connecticut's challenges with providing adequate services for children in behavioral health crisis are a significant driver of our Medicaid loss. In 2016, 2,269 children and adolescents in behavioral health crisis were brought to Connecticut Children's Emergency Department (ED). Once they are medically cleared, some of these children are transferred to the Child and Adolescent Rapid Emergency Stabilization (CARES) unit on the Institute of Living campus, but far too many have to spend one or more nights in our ED awaiting an available inpatient bed at another facility. Children and adolescents in behavioral health crisis spent a total of 2,161 nights in Connecticut Children's 25-bed ED in 2016.

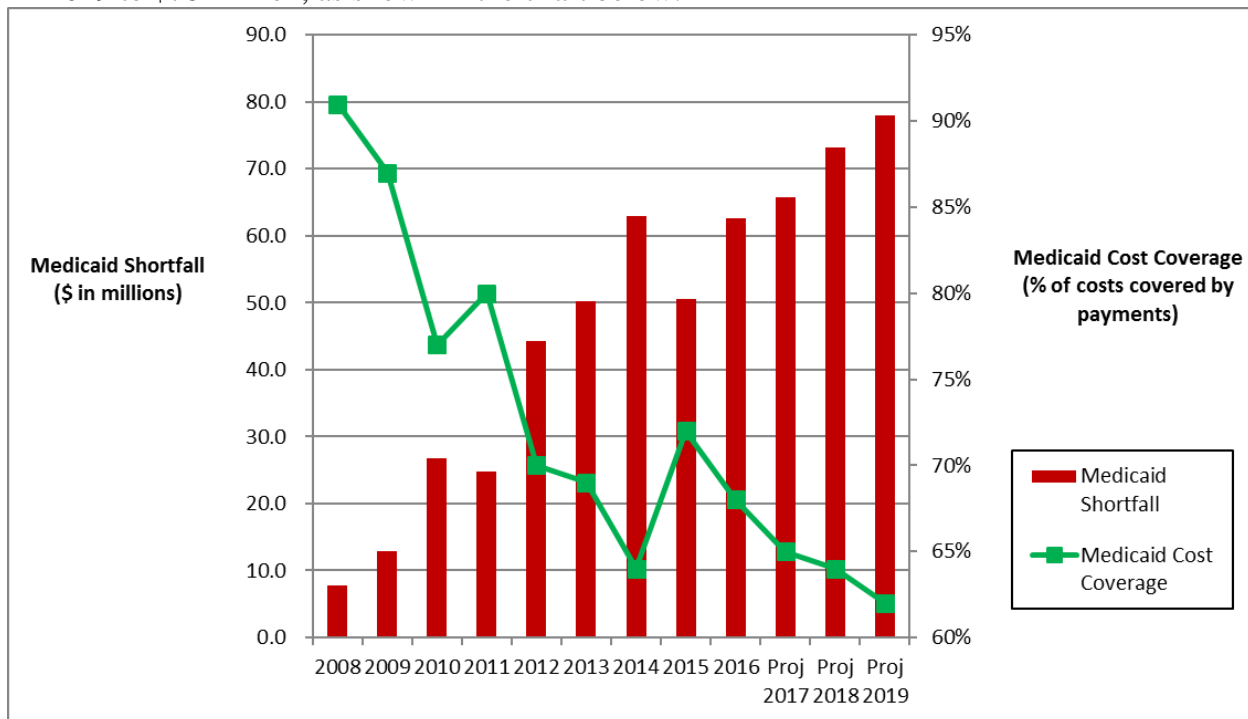
Now in its second year, our Enhanced Care Coordination Pilot Project is a grant funded initiative to address the underlying concerns of some of these children. When a child who arrived in behavioral health crisis is ready to be discharged home, the family has the option to connect with a social worker who has specialized expertise in intensive care coordination services so they can have support at home right away. The social worker shares the discharge plan with the child's primary care physician, school, and mental health provider so everyone is on the same page about the child's behavioral health concerns. Intensive care coordination matches the family to services that address the child's underlying needs and helps avert future emergency department visits. The project completed a feasibility study with great success, and Connecticut Children's has secured additional grant dollars to both sustain the pilot and expand access through an increase in clinical social worker capacity. Connecticut Children's is now focused on long term results of care coordination connections, family satisfaction and recidivism in the ED.

The Governor has proposed to level-fund Connecticut Children's Disproportionate Share Hospital (DSH) payment at \$12,657,000 per year in the new biennium. The prior biennial budget included DSH payments of \$14,605,500 in 2016 and \$14,800,240 in 2017 to offset some of our Medicaid shortfall but those numbers were reduced through the rescission process. This year our \$68 million projected Medicaid shortfall takes that payment into account. Currently, 55% of the children we care for rely on Medicaid (inpatient days, FYTD through January 2017)—by far the highest Medicaid volume in the State—and we expect our total payments to cover only 66% of our costs. We appreciate the Governor's inclusion of a DSH payment to offset a portion of our shortfall and encourage legislators to reinstate it to the 2016-2017 budgeted amount.

The Governor's proposed budget would allow municipalities to tax hospital real property. We at Connecticut Children's believe that healthy communities support healthy families and we are committed to the well-being of Connecticut's cities and towns, particularly Hartford where our main campus is located. However, non-profit hospitals are the cornerstones of our communities, providing tens of thousands of jobs and facing growing uncertainties around the future of

Medicaid. We have grave concerns about the precedent set by further eroding the tax-exempt status of non-profit hospitals.

The impact of the past year's rescissions combined with the recent Medicaid rate reductions, will increase Connecticut Children's projected Medicaid shortfall in FY2018 to \$73 million and in FY2019 to \$78 million, as shown in the chart below.



To improve scale and cost efficiency, Connecticut Children's has extended its geographic reach, operating in 21 locations and increasing patient volume by approximately 50% in the past seven years. This growth follows national trends at our peer children's hospitals reflecting the economic reality that bigger children's hospitals deliver better value within the current framework of government policy, regulations and model of reimbursement. Partnership with other Connecticut providers to care for children in their communities has been our chosen vehicle for growth. This strategy has been attractive to our partners and families because it allows competing hospitals to offer high quality pediatric care while ensuring patients' access to care closer to home. Connecticut Children's has been able to make subspecialty care more ubiquitous, consistent and higher in quality in a cost- and resource-effective way.

Investing in our children improves the likelihood that they will become the thriving adults who will lead our future. It is essential that we support those programs and services that promote their emotional and physical health. Connecticut Children's must forge a strong partnership with the State so we can continue to provide the care that is critical for Connecticut's future.

Connecticut Children's 2017 Locations

